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SUBJECT: IN WEST BENGAL, LAND ACQUISITION FOR INDUSTRY (SLOWLY)
MARCHES ON

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1. (U) Summary: As the Government of West Bengal (GOWB) continues its efforts to attract investment and industry into the state, the debate over how and where to acquire land continues in the run-up to May's panchayat (local) elections. The Communist Party of India-Marxist (CPM)-led Left Front coalition has faced internal friction over the CPM's interest in further industrialization and the its efforts to speed land acquisition in the past have met with protests and violence in the cases of Singur and Nandigram (reftels). Despite these controversies, the GOWB continues to facilitate land acquisition, albeit in a more tempered manner. From March 7 to March 18 Econoff met with an official who oversees these projects and spoke to researchers who are following the land acquisition issue in the state and confirmed that acquisition of agricultural land and further industrial development remain top GOWB priorities. End Summary.

2. (U) In West Bengal 72 percent of the population depend on the agricultural sector and farming for their livelihoods. Almost all of West Bengal's land is cultivable and landowners hold less than 1.6 acres of land on average, according to research performed by international consulting firm KPMG. Partly due to this emphasis on agriculture, other sectors of West Bengal's economy have faltered or remained fallow in the past. The state ranks tenth nationally in per capita income, with only 5.8 percent of the total number of factories in India. Its manufacturing sector currently makes up just 11 percent to the state's NDP, according to the KPMG report. Compelled by these statistics, the West Bengal government is working to attract industry projects that can infuse its economy with capital and diversify career opportunities for its residents.

Efforts to Address Problems with Land Acquisition

3. (U) According to Economics Professor Abhirup Sarker, who has researched land acquisition issues in West Bengal extensively, the GOWB's haste to attract business triggered a backlash from farmers who were disadvantaged by the prices they received for land acquired by the state. For example, in Singur land was purchased at prices that did not account for the "shadow value" a farmer's labor contributes to the worth of land, or to the future accrual of the property's value once a factory was constructed on it. In Singur, according to Sarkar, prices in the immediate area have risen from Rs 1.2 million (USD 30,000) per

acre paid two years ago at acquisition to Rs 5 million (USD 125,000) per acre today.

¶4. (U) Farmer's feelings of having gotten a raw deal have spurred some re-thinking in the GOWB. The GOWB recently introduced new measures that Executive Director of West Bengal Industrial Development Corporation (WBIDC), Nandina Chakravorty, says is aimed at ensuring corporate responsibility and providing adequate rehabilitation and compensation to family's displaced by land acquisition. She described this approach as an effort to address the "multiple socio-economic dimensions associated with land expropriation." The WBIDC is the GOWB's nodal agency for rehabilitation and recently began using socio-economic surveys to identify and track the needs of family's in areas identified for industrial development and land acquisition. These surveys provide census data and assessments of the infrastructure and social needs of communities in areas scheduled for land acquisition.

¶5. (U) According to Chakravorty, this data is used to fashion rehabilitation packages, which might include stipulations for employment, training, or education of displaced families. Chakravorty said that implementation of these packages is required before the WBIDC, which acts as an intermediary when land is acquired for industry, releases the property to the companies involved in the industrialization project. She said that current rehabilitation packages include stipulations for establishing English language schools, in addition to payment packages for land acquired.

Attitudes Towards Land Acquisition in an Affected Area

¶6. (U) The GOWB recently tapped Professor Santanu Roy to perform one of these surveys among the landholders in Singur.

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Roy spoke with Econoff and said that according to his findings, less than half of the landholders in Singur resent the GOWB efforts to acquire their land. Those who do, said Roy, resent the expropriation efforts because their psychological and cultural ties to farming outweigh the fiscal rewards of selling their land. In Dr. Roy's opinion, this section of the populous provides fodder for the opposition parties' political rhetoric as they try to leverage the concerns of traditional farmers in order to gain broader public attention and undermine the GOWB's policies.

¶7. (U) Conversely, according to Roy, about 75 percent of the landowners were open to the financial gains made through selling their land. This group, according to Roy, was able to take the money they received for their land and deposit it in interest yielding bank accounts, which are transacted through national banks established in the area. He also said the families have used their profits to pursue entrepreneurial ventures in sectors outside of agriculture. Roy's research has shown that a majority of landholders are interested in moving into new economic sectors and GOWB Commerce and Industry Minister Nirupam Sen has cited the West Bengal electorate's demand for industrialization as a talking point to support land acquisition, according to Sarkar.

You Can't Stop Progress

¶8. (U) According to WBIDC Executive Director Chakravarty, controversies over projects like Singur overall have not been detrimental to potential projects in the state. Within the last two years, according to Chakravarty, interest in industrial projects and the associated requisition of land have experienced exponential growth and she does not anticipate any slow down in the future. According to her office's data, the WBIDC will be working to realize and complete their current portfolio of industrialization projects and land acquisition is expected to continue through this term as well.

¶9. (U) Private and public investors committed USD 2.5 billion to West Bengal in 2006-07. The state needs 90,000 acres to accommodate these proposals, which is 0.6 percent of the total agricultural land (14 million acres) available. The KPMG report on West Bengal's sustainable development says that the loss of less than one percent of agricultural land will make no difference to the state's food security provided issues like investment in irrigation, adopting high yielding crop varieties, and market distortions are resolved.

¶10. (U) While the Tata Motor plant on 1,000 acres in Singur is nearing completion, the 10 million ton USD 8.7 billion steel plant by JSW Bengal Steel in Salboni is also likely to bear fruit. The plant will be built on 5,000 acres of land, of which 4,500 acres have already been acquired. In addition, Caparo Engineering India, a subsidiary of the U.K.-based Caparo Group, is setting up a sheet metal and stamping facility at Singur. The state government is also planning two new IT-specific special economic zones (SEZs) to accommodate IT giants Infosys, Wipro, and TCS. These SEZs will be located in Rajarhat (323 acres) and Kalyani (200 acres).

¶11. (U) Comment: The ongoing issue for the CPM is how to please both its traditionalist allies as well as those pushing for changes in the structure of West Bengal's economy. Left Front partners like All India Forward Bloc (AIFB) and the Revolutionary Socialist Party (RSP) remain a thorn in the side of the coalition's efforts at economic development, and further criticism and threats to industrialization efforts can be expected as local elections approach. The AIFB and RSP control West Bengal's Ministries of Agriculture and Public Works, respectively, which have provided both parties ample opportunities from which to expound anti-industrialization platforms in order to protect the farmers and special interest groups associated with the two portfolios. This helps account for the "slow" pace of industrialization that GOWB CM Bhattacharjee often mentions. However, Consulate interlocutors, including Chakravorty, the researchers, and businessmen with whom we spoke, emphasized that the CPM is committed to the process of industrial development and that it is unlikely to be derailed by political opponents either from within or without in the long term.

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